

**EDMONSON COUNTY  
SCHOOL DISTRICT**

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**FINANCIAL STATEMENTS**

**June 30, 2005**

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## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **Edmonson County School District** (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, and Appendix III of the *Independent Auditors' Contract—Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and cash

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flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated August 30, 2005 on our consideration of **Edmonson County School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 18 and 56 through 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Edmonson County School District's** basic financial statements. The combining and individual nonmajor fund financial statements and other additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the **Edmonson County School District**. The combining and individual nonmajor fund financial statements, other additional information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Holland CPAs, PSC*

Bowling Green, Kentucky  
August 30, 2005

## **Required Supplementary Information**

## **Management's Discussion and Analysis**

**EDMONSON COUNTY BOARD OF EDUCATION  
BROWNSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2005**

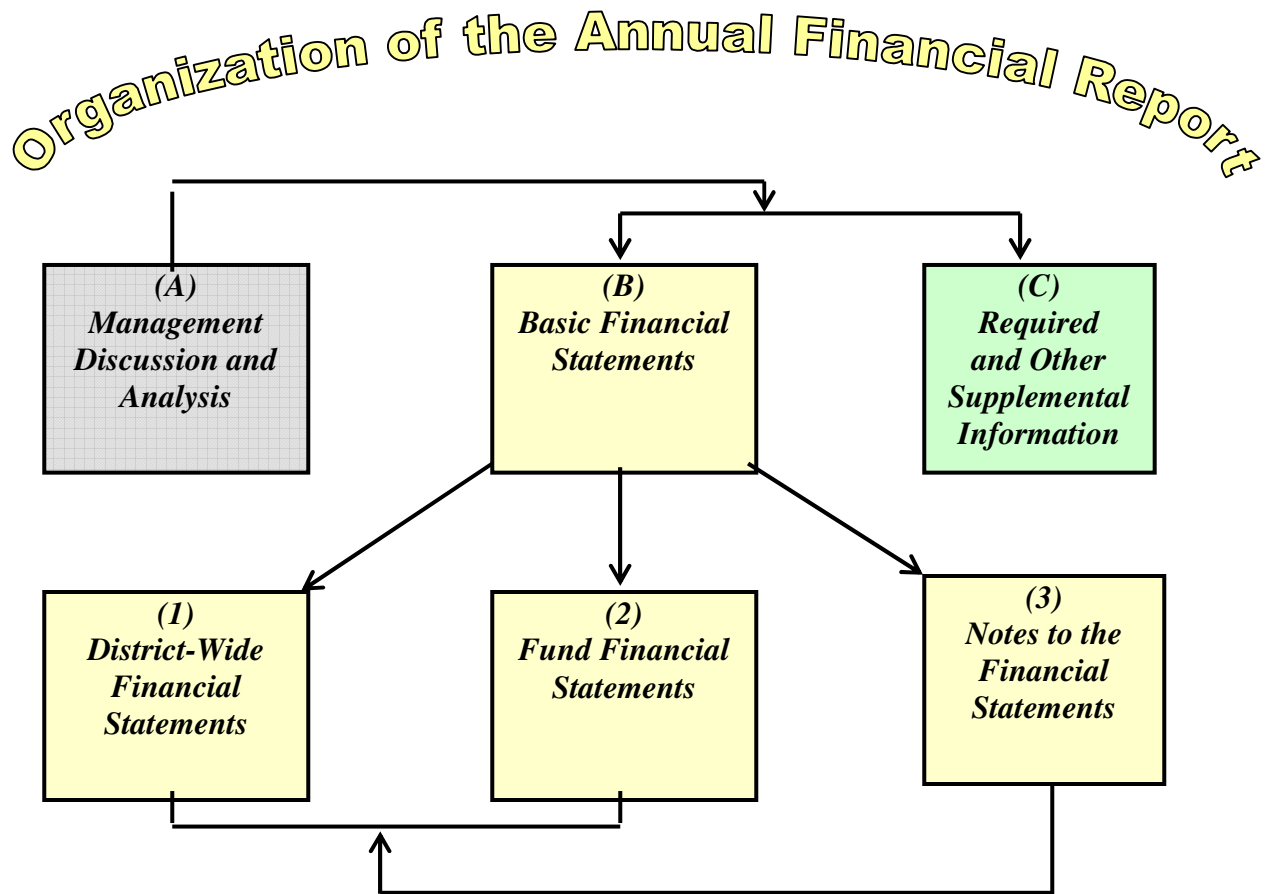
As management of the Edmonson County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning General Fund balance for the District was \$1,921,611. The ending General Fund balance was \$1,313,985 for a decrease in fund balance of \$607,626. Despite the decrease, the ending general fund balance remained strong at 10.3%, which well exceeds the state minimum contingency of 3%. The decrease in fund balance is attributable primarily to salary increases that were mandated, but unfunded by the state. The mandated salary increase of 3%, an additional 1% effective January 1, 2005 plus annual step and rank increases resulted in a total increase of \$559,420 or 7.2% for the general fund compared to only a 1.5% increase or \$124,754 in state SEEK funding for fiscal year 2005. This resulted in a shortfall of \$434,666 that had to be absorbed by existing fund balances. Another major influencing factor is that the general assembly mandated additional salary increases well into the beginning of the fiscal year which was too late to adjust staffing accordingly to prevent the erosion of fund balance.
- Renovation projects continued during the year at Edmonson County High School, Edmonson County Middle School, Edmonson County 5/6 Center, and Kyrock Elementary. By the end of fiscal year 2005, renovation at the Edmonson County High School and the addition of Edmonson County Middle School (accommodating 7<sup>th</sup> and 8<sup>th</sup> grades) were virtually complete with project expenditures totaling \$9,859,226. Project expenditures totaling \$1,617,353 had been made by the end of fiscal year 2005 for renovations to the Edmonson County 5/6 Center and Kyrock Elementary constituting approximately 95% of the total project budget. The Edmonson County 5/6 Center renovation included replacement of HVAC units, handicap and ADA upgrades, and renovation of administrative office areas including reconfiguration of the main entrance. New HVAC classroom units were installed at Kyrock Elementary.
- The Food Service Fund, a proprietary fund, ended fiscal year 2005 with an unrestricted fund net assets of \$122,665 for a decrease of \$19,687 versus fiscal year 2004. The decrease in fund net assets is primarily due to additional staffing made necessary by increased student participation in the breakfast and lunch programs and facility expansion. Salary and benefits increased \$132,698 or 25.5% versus FY2004 and other food and supplies expense increased by \$60,682 or 12% versus FY2004.

## Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Edmonson County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and notes, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



The District-Wide Financial Statements have two sections (1) the *Statement of Net Assets* and (2) the *Statement of Activities*. The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



## Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the Statement of Net Assets and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$12,517,063 as of June 30, 2005. This was a decrease of \$211,249 versus the previous year.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$11,514,868 (an increase of \$1,150,702 over the previous year). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

## Reporting the School District's Most Significant Funds

### Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The only major proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Edmonson County School District are the general fund, special revenue (grants), and the construction fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The School District's proprietary funds consist of food service operations and day care services.

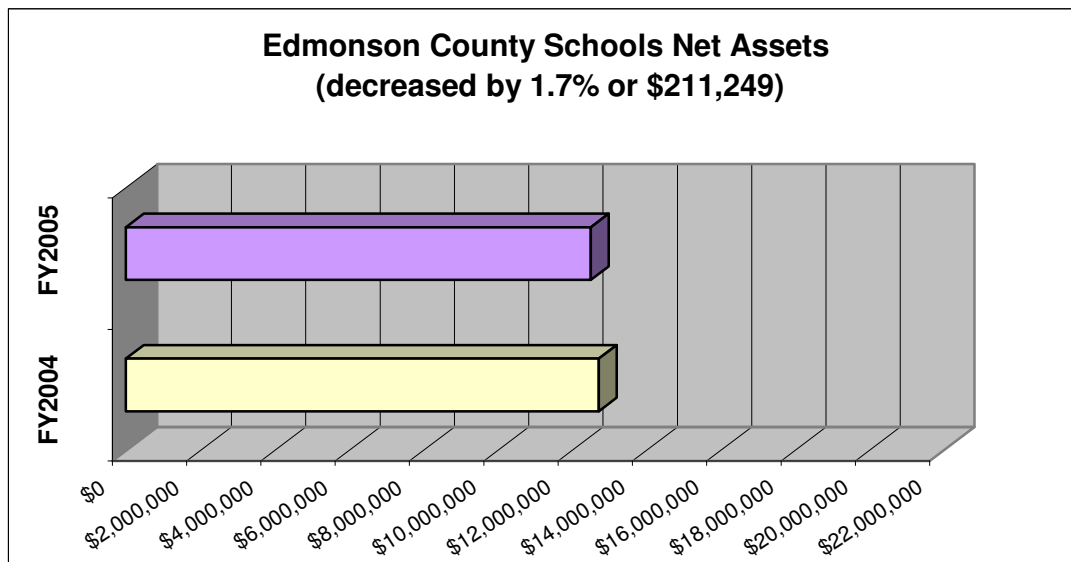
**Fiduciary Funds** – The schools' activity funds (or agency funds) is the District's only fiduciary fund. The schools' activity balances at year-end totaled \$102,398 (a decrease of \$6,050 from the previous year).

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Assets for June 30, 2004 and June 30, 2005

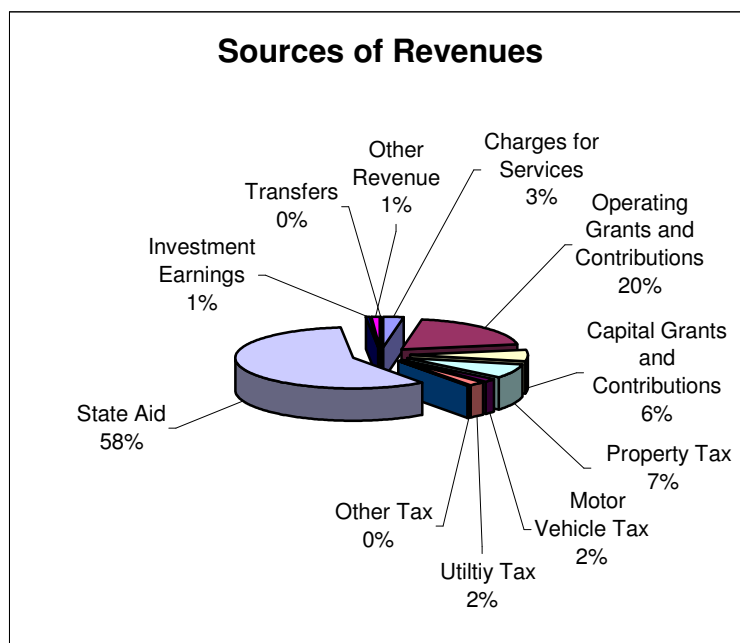
	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	2004-2005
Current and Other Assets	\$ 4,576,841	\$ 1,807,130	\$ 143,323	\$ 126,802	\$ 4,720,164	\$ 1,933,932	-59.0%
Capital Assets	\$ 23,199,845	\$ 24,784,414	\$ 307,863	\$ 297,690	\$ 23,507,708	\$ 25,082,104	6.7%
<b>Total Assets</b>	<b>\$ 27,776,686</b>	<b>\$ 26,591,544</b>	<b>\$ 451,186</b>	<b>\$ 424,492</b>	<b>\$ 28,227,872</b>	<b>\$ 27,016,036</b>	<b>-4.3%</b>
Long Term Liabilities	\$ 14,050,897	\$ 13,340,487	\$ 0	\$ 0	\$ 14,050,897	\$ 13,340,487	-5.0%
Other Liabilities	\$ 1,447,692	\$ 1,154,694	\$ 971	\$ 3,792	\$ 1,448,663	\$ 1,158,486	-20.0%
<b>Total Liabilities</b>	<b>\$ 15,498,589</b>	<b>\$ 14,495,181</b>	<b>\$ 971</b>	<b>\$ 3,792</b>	<b>\$ 15,499,560</b>	<b>\$ 14,498,973</b>	<b>-6.5%</b>
Investment in Capital Assets (net of debt)	\$ 10,056,303	\$ 11,217,178	\$ 307,863	\$ 297,690	\$ 10,364,166	\$ 11,514,868	11.1%
Restricted	\$ 806,720	\$ 143,439	\$ 0	\$ 0	\$ 806,720	\$ 143,439	-82.2%
Unrestricted	\$ 1,415,074	\$ 735,746	\$ 142,352	\$ 123,010	\$ 1,557,426	\$ 858,756	-44.9%
<b>Total Net Assets</b>	<b>\$ 12,278,097</b>	<b>\$ 12,096,363</b>	<b>\$ 450,215</b>	<b>\$ 420,700</b>	<b>\$ 12,728,312</b>	<b>\$ 12,517,063</b>	<b>-1.7%</b>

At year-end assets exceeded liabilities by \$12,517,063.

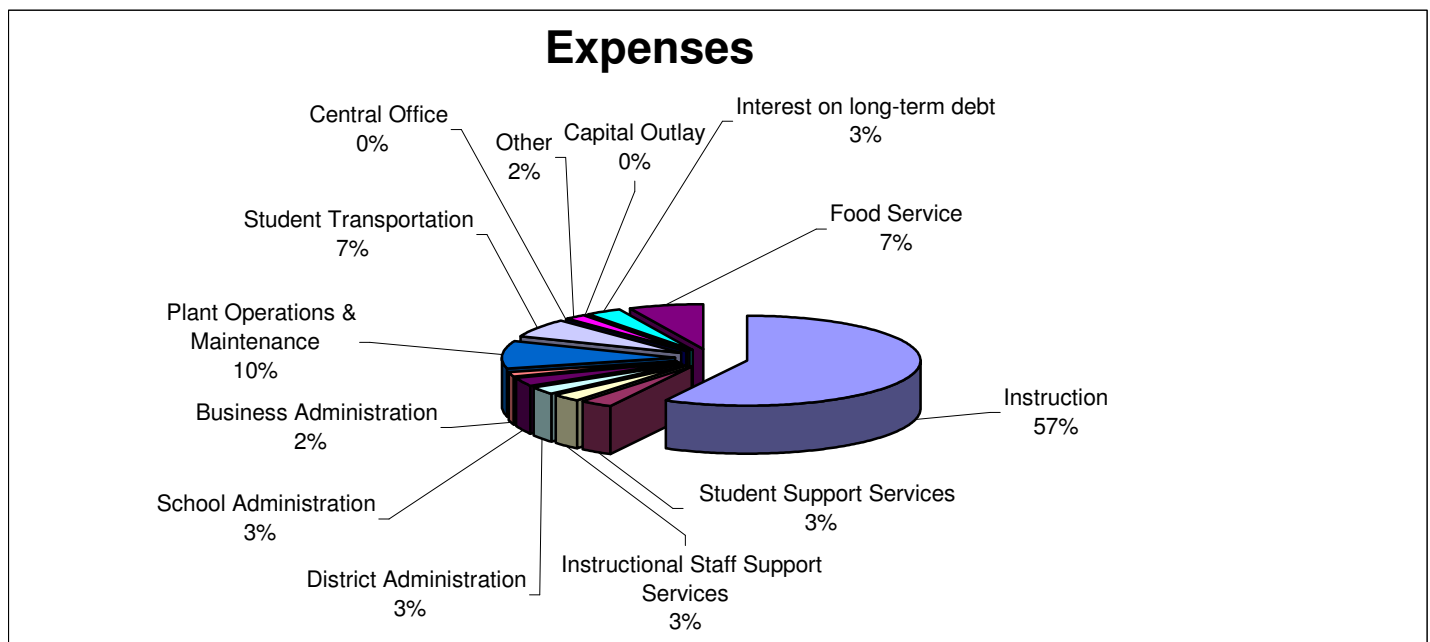


## Changes in Net Assets for June 30, 2004 and June 30, 2005

Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change 2004-2005
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	
Program Revenues							
Charges for Services	\$61,265	\$18,510	\$377,420	\$454,861	\$438,685	\$473,371	7.9%
Operating Grants and Contributions	\$2,892,852	\$2,644,414	\$678,280	\$822,059	\$3,571,132	\$3,466,473	-2.9%
Capital Grants and Contributions	\$946,231	\$1,086,866	\$0	\$0	\$946,231	\$1,086,866	14.9%
General Revenues							
Taxes							
Property Tax	\$1,336,451	\$1,329,974	0	0	\$1,336,451	\$1,329,974	-0.5%
Motor Vehicle Tax	\$271,403	\$301,574	0	0	\$271,403	\$301,574	11.1%
Utility Tax	\$416,136	\$419,121	0	0	\$416,136	\$419,121	0.7%
Other Tax	\$5,262	\$7,149	0	0	\$5,262	\$7,149	35.9%
State Aid	\$9,760,914	\$10,351,516	0	0	\$9,760,914	\$10,351,516	6.1%
Investment Earnings	\$157,787	\$128,984	\$4,673	\$2,463	\$162,460	\$131,447	-19.1%
Other Revenues	\$116,235	\$188,098	\$1,604	-\$103	\$117,839	\$187,995	59.5%
Transfers	-\$9,269	\$0	\$9,269	\$0	\$0	\$0	0.0%
Total Revenues	\$15,955,267	\$16,476,206	\$1,071,246	\$1,279,280	\$17,026,513	\$17,755,486	4.3%



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	2004-2005
Instruction	\$9,369,662	\$10,367,572			\$9,369,662	\$10,367,572	10.7%
Support Services							
Student Support Services	\$390,702	\$537,627			\$390,702	\$537,627	37.6%
Instructional Staff	\$479,177	\$509,658			\$479,177	\$509,658	6.4%
District Administration	\$591,484	\$472,390			\$591,484	\$472,390	-20.1%
School Administration	\$555,842	\$571,644			\$555,842	\$571,644	2.8%
Business Administration	\$195,244	\$278,413			\$195,244	\$278,413	42.6%
Plant Operations & Maintenance	\$1,361,511	\$1,789,880			\$1,361,511	\$1,789,880	31.5%
Student Transportation	\$1,171,236	\$1,196,704			\$1,171,236	\$1,196,704	2.2%
Central Office	\$0	\$0			\$0	\$0	0.0%
Other	\$400,724	\$325,919			\$400,724	\$325,919	-18.7%
Food Service Operations	\$0	\$0			\$0	\$0	0.0%
Facilities Acquisition & Construction	\$30,839	\$31,354			\$30,839	\$31,354	1.7%
Interest on Long-Term Debt	\$546,686	\$567,328			\$546,686	\$567,328	3.8%
Bond Issuance Cost	\$0	\$0			\$0	\$0	0.0%
Loss of disposal of assets	\$9,407	\$9,451			\$9,407	\$9,451	0.5%
Food Service			\$1,071,286	\$1,257,416	\$1,071,286	\$1,257,416	17.4%
Day Care Services			0	\$51,379	\$0	\$51,379	100.0%
<b>Total Expenses</b>	<b>\$15,102,514</b>	<b>\$16,657,940</b>	<b>\$1,071,286</b>	<b>\$1,308,795</b>	<b>\$16,173,800</b>	<b>\$17,966,735</b>	<b>11.1%</b>

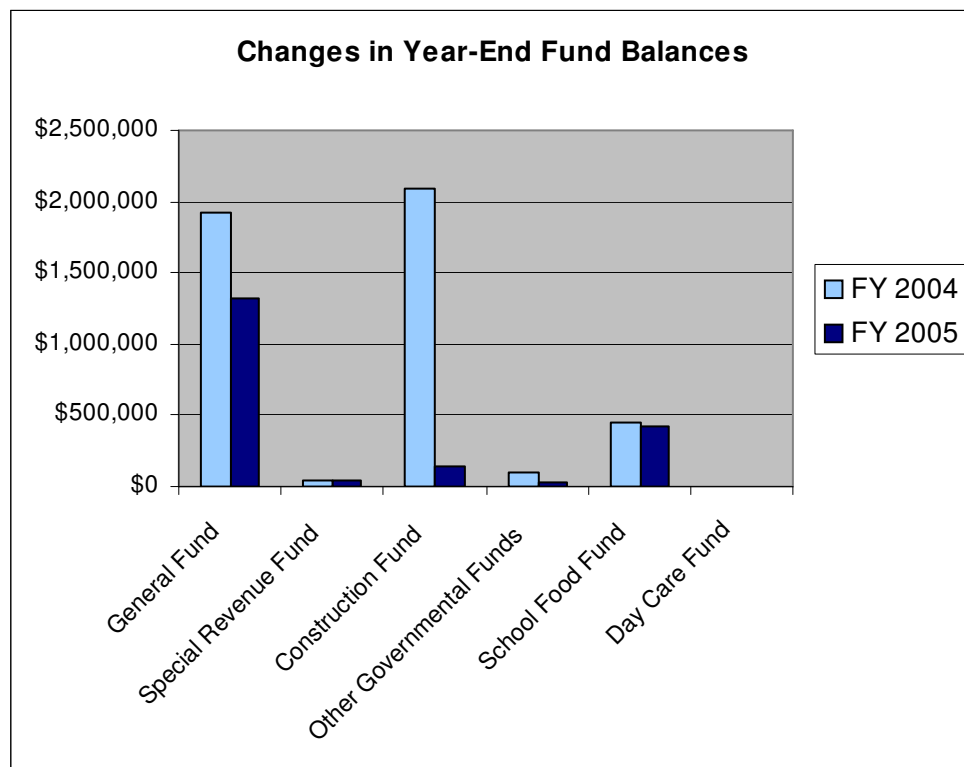


- The District's total revenues were \$17,755,486 and the total expenses were \$17,966,735. Expenses exceeded revenues by \$211,249.
- State revenues accounted for 58% and local taxes accounted for 11% of the revenue.

- Instruction was the major expense category and accounted for 57% of the total.
- Food service expenses exceeded revenues by \$29,515 and Governmental expenses exceeded revenues by \$181,734.

## Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2004	FY 2005	Amount of Change	% Change
General Fund	\$1,921,611	\$1,313,985	(\$607,626)	-32%
Special Revenue Fund	\$48,379	\$45,734	(\$2,645)	-5%
Construction Fund	\$2,089,658	\$135,613	(\$1,954,045)	-94%
Other Governmental Funds	\$99,624	\$34,328	(\$65,296)	-66%
School Food Fund	\$450,215	\$420,355	(\$29,860)	-7%
Day Care Fund	\$0	\$345	\$345	100%
Total	\$4,609,487	\$1,950,360	(\$2,659,127)	-58%



- The General Fund's fund balance showed a negative change of \$607,626. This was the result of state SEEK funding not matching employee salary raises resulting in a net additional expenditure of \$862,488 in FY2005.
- The Special Revenue fund had a reduction of \$2,645 primarily due to a slight reduction in KETS technology funding resulting from the decrease in average daily attendance for FY2005.
- The Construction fund shows a decrease in fund balance of \$1,954,045 due to construction payments made for the Edmonson County High School Renovation Project and the 5/6 Center & Kyrock Elementary Renovation Projects.
- Other Governmental funds show a decrease of \$65,296. This resulted from scheduled fluctuation of debt service payments combined with the transfer of additional funds to the Edmonson County High School Renovation Project.
- The School Food Service fund balance had a \$29,860 decrease.
- The Day Care Service fund ended FY2005 with fund balance of \$345.

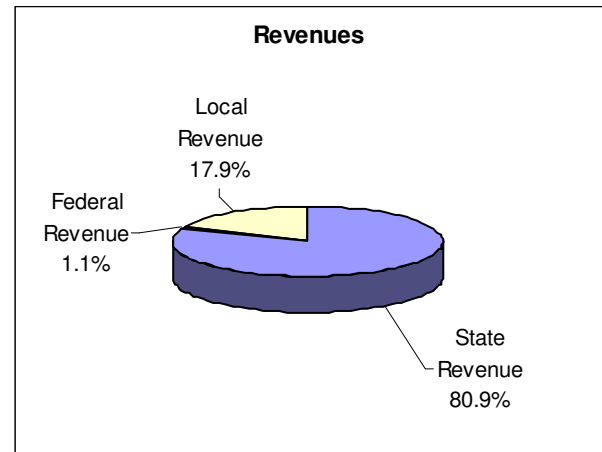
#### **Comments on General Fund and Special Revenue Budget Comparisons**

- The District's General Fund total revenues for the fiscal year ended June 30, 2005 were \$10,132,453. This is \$53,612 more than was budgeted in the final working budget. This variance is primarily due to receipt of federal impact aid funds that were not budgeted. This revenue is not budgeted by the School District due to unpredictable timing.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual fund balance being \$607,626 less than the prior year. The primary reason for this is mandated salary increases that were not funded by the state. In addition, the state did not approve a budget until well into the fiscal year which made it impossible to adjust staffing in line with state funding limitations.
- Other Support Services shows a \$1,188,419 surplus. The major reason is because this is where the district's contingency was budgeted. The contingency is not meant to be expended, but is to be used as the district's beginning balance for next year. The contingency budgeted was actually \$1,190,404.
- The Final Budget and the Original Budget differ primarily because the Original Budget is prepared by the end of February for the next school year and the state had not adopted their budget yet. Because of state budget concerns, the Original Budget had only 1.5% salary increase. The District was mandated to adopt a 3.5% base pay raise.
- The Special Revenue Fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

The following tables present a summary of revenue and expenditures of the General Fund for the fiscal year ended June 30, 2005.

#### Revenues:

Local revenue sources	\$ 1,817,730
<i>Taxes</i>	
<i>Property</i>	\$ 957,241
<i>Motor Vehicle</i>	301,574
<i>Utilities</i>	419,121
<i>Other</i>	7,149
<i>Earnings on Investments</i>	84,424
Other Local Revenue	48,221
State revenue sources	8,199,605
Federal Revenue	115,118
Other Sources	0
<b>Total revenues</b>	<b>\$ 10,132,453</b>



The majority of revenue was derived from state funding (80.9%) with local revenue sources making up 17.9% of total revenues.

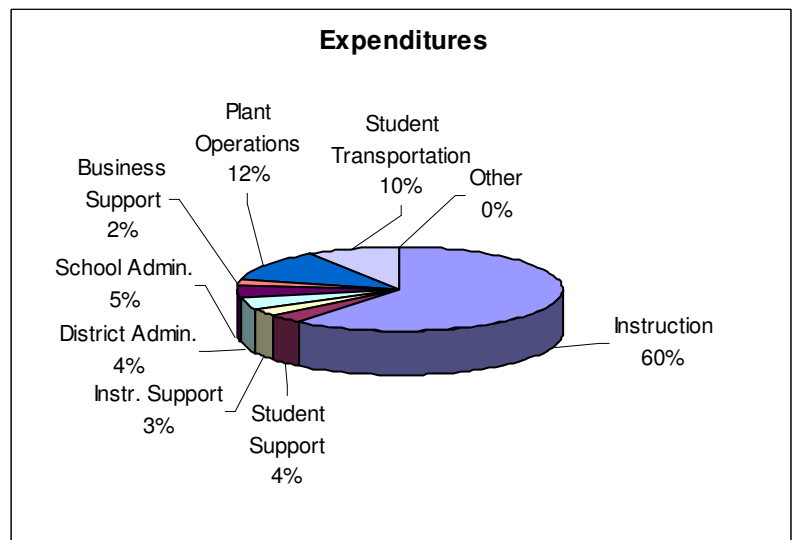
#### Expenditures:

Instruction	\$ 6,398,854
Student Support Services	385,164
Instructional Support	309,142
District Administration	447,163
School Administration	499,849
Business Support	246,983
Plant Operations	1,273,584
Student Transportation	1,008,144
Other	3,785
<b>Total expenditures</b>	<b>\$ 10,572,668</b>

**Revenues in Deficit of Expenditures**      **-( \$440,215 )**

**Operating Transfers**                              **-( \$ 167,411 )**

**Net Change in Fund Balance**                      **-( \$ 607,626 )**





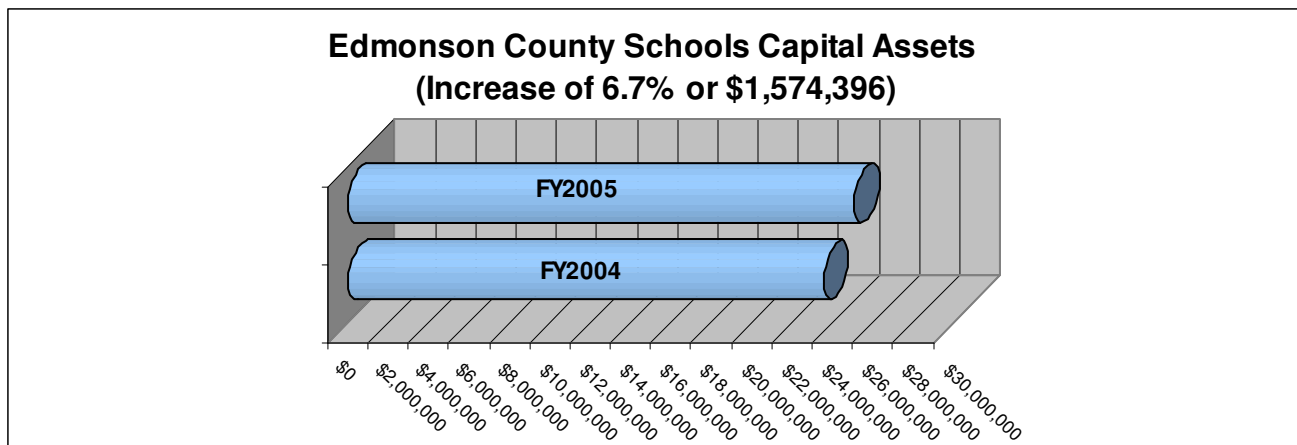
## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By June 30, 2005, the district had invested \$25,082,104 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was \$34,615,067 with accumulated depreciation of \$9,532,963. The district had \$1,587,369 in construction in progress on the Edmonson County 5/6 Center and Kyrock Elementary Renovations. The Edmonson County 5/6 Center and Kyrock Elementary Renovation project's total cost will be \$1,758,466 when completed.

### SUMMARY OF CAPITAL ASSETS

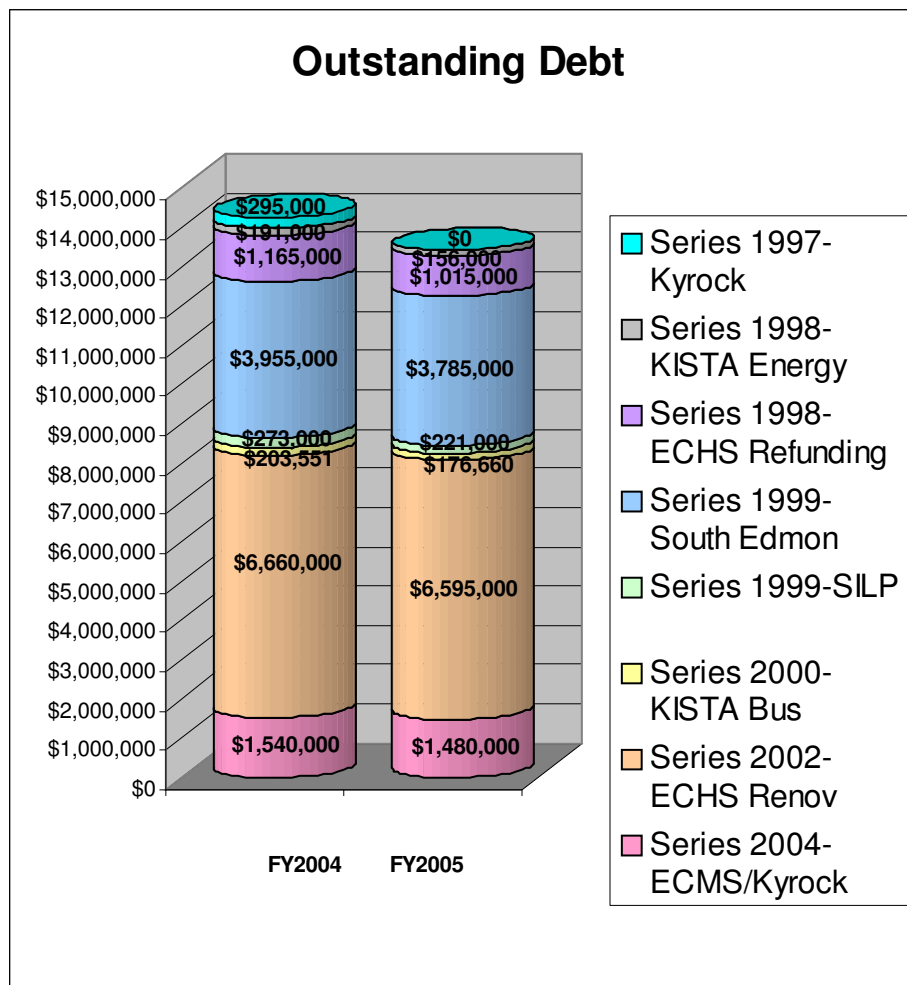
CAPITAL ASSETS (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	2004-2005
Land	\$804,694	\$773,091	\$0	\$0	\$804,694	\$773,091	-3.9%
Construction in Progress	\$9,169,149	\$1,587,369	\$0	\$0	\$9,169,149	\$1,587,369	-82.7%
Buildings	\$11,876,348	\$20,474,540	\$0	\$0	\$11,876,348	\$20,474,540	72.4%
Equipment & Furniture	\$1,349,654	1,949,414	\$307,863	\$297,690	\$1,657,517	\$2,247,104	35.6%
<b>Total Assets</b>	<b>\$23,199,845</b>	<b>\$24,784,414</b>	<b>\$307,863</b>	<b>\$297,690</b>	<b>\$23,507,708</b>	<b>\$25,082,104</b>	<b>6.7%</b>



## Long-Term Debt

At year-end the district had \$13.4 million in general obligation bonds outstanding. This was a decrease of 6% over last year. The decrease was due to principal payments made per debt service schedules.

General Obligation Bonds:		Par Amount	Bonds Payable at June 30, 2004	Bonds Payable at June 30, 2005
Series 1997	Kyrook Renovation/Addition	\$2,405,000	\$295,000	\$0
Series 1998	KISTA-Energy Improvement Project	\$347,000	\$191,000	\$156,000
Series 1998	Edmonson County High School Refunding Renovation/Addition	\$1,655,000	\$1,165,000	\$1,015,000
Series 1999	South Edmonson Elementary (new construction)	\$4,560,000	\$3,955,000	\$3,785,000
Series 1999	SILP-Energy Savings Project	\$494,000	\$273,000	\$222,000
Series 2000	KISTA-School Bus Bonds	\$286,894	\$203,551	\$176,660
Series 2002	Edmonson County High School Renovation/Addition	\$6,685,000	\$6,660,000	\$6,595,000
Series 2004	Edmonson County 5/6 Center & Kyrook Elementary Renovation	\$1,540,000	\$1,540,000	\$1,480,000
TOTAL		\$17,972,894	\$14,282,551	\$13,429,660



## BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district receives approximately 80.9% of its new general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 9.4% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth through seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$1,313,985 of the total general fund budget as a beginning balance for next year.

By law, the budget must have a minimum 3 % contingency. The district adopted a budget with \$1,190,504 in contingency (9.9 %) for fiscal year 2005. The beginning fund balance for beginning the fiscal year is \$1,313,985. Significant Board action that impacts finances include a 3 % pay raise for all employees, additional spending on students with special needs, increased building operations and maintenance costs associated with expansion of facilities, and general fund matching dollars for grants. For the year ended June 30, 2005, \$27,542 was required from the general fund to participate in special revenue funds (grants). The district currently participates in 37 federal and state grants. The total budget for these grants is \$2,445,975. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. At year-end, the District's General Fund was due \$281,535 from the special revenue grant fund. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

#### **DISTRICT CHALLENGES FOR THE FUTURE**

The primary challenges for the Edmonson County School District are to continue to build, develop and provide instructional programs and professional development, continue updating and modernizing our existing facilities, including technology, continue to increase our average daily attendance and decrease dropouts, and continue to take steps to reduce energy consumption.

The primary focus of the Edmonson County School District is to educate our students to the fullest ability to create an environment of trained, educated, and knowledgeable citizens. As our district continues to increase our CATS results and meet the goals of NCLB, we need to increase our focus with making improvements in our content presentation by utilizing research based curriculum, technology, and professional development focusing on improving the art of teaching. The primary concerns for addressing these three areas is the expense of staying updated and current with this ever-changing environment.

The district has made great strides in buildings and updating facilities throughout the county. Two main concerns in this area are keeping our current facilities in top shape and continuing to make plans for updating our facilities, including technology related improvements, throughout the district.

For the second straight year, the Edmonson County School District has seen a decrease in student population, which has caused the average daily attendance to decline even though the attendance percentage has increased. Our challenge is working with all stakeholders involved by promoting the importance of education, attending school, and completing school.

A new concern that appears to be something for which adjustments must be made is the escalating cost of energy. With several recent natural and manmade disasters, which have affected our country, we are experiencing an upward trend in costs throughout the district as a result of increased costs of gasoline, diesel, electricity, and other associated utilities. This is an area in which we are going to need to continue evaluating for future cuts.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information should be directed to the Kathy Meredith, Finance Officer (270) 597-2101, 100 Wildcat Way, P O Box 129, Brownsville, KY, 42210 or e-mail at [kmeredit@edmonson.k12.ky.us](mailto:kmeredit@edmonson.k12.ky.us).

# Basic Financial Statements

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash.....	\$ 1,333,872	\$ 32,993	\$ 1,366,865
Accounts receivable:			
Taxes .....	57,413	0	57,413
Accounts .....	29,660	52,323	81,983
Intergovernmental .....	386,185	319	386,504
Inventory .....	0	41,167	41,167
Non-depreciated capital assets .....	1,929,158	0	1,929,158
Depreciable capital assets .....	32,105,866	580,043	32,685,909
Less: accumulated depreciation .....	(9,250,610)	(282,353)	(9,532,963)
<b>TOTAL ASSETS</b>	<b>26,591,544</b>	<b>424,492</b>	<b>27,016,036</b>
<b>LIABILITIES</b>			
Accounts payable.....	175,194	3,792	178,986
Deferred revenue .....	102,276	0	102,276
Accrued interest .....	165,087	0	165,087
Long-term obligations:			
Due within one year:			
Outstanding bonds .....	672,137	0	672,137
Compensated absences .....	40,000	0	40,000
Due beyond one year:			
Outstanding bonds .....	12,895,099	0	12,895,099
Compensated absences .....	445,388	0	445,388
<b>TOTAL LIABILITIES</b>	<b>14,495,181</b>	<b>3,792</b>	<b>14,498,973</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt .....	11,217,178	297,690	11,514,868
Restricted for:			
Capital projects.....	135,613	0	135,613
Debt service .....	7,826	0	7,826
Unrestricted.....	735,746	123,010	858,756
<b>TOTAL NET ASSETS</b>	<b>\$ 12,096,363</b>	<b>\$ 420,700</b>	<b>\$ 12,517,063</b>

See accompanying notes to the financial statements.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES							
Instruction.....	\$ 10,367,572	\$ 18,510	\$ 1,878,909	\$ 27,944	\$ (8,442,209)	\$ 0	\$ (8,442,209)
Support services:							
Student .....	537,627	0	84,028	0	(453,599)	0	(453,599)
Instructional staff.....	509,658	0	164,150	0	(345,508)	0	(345,508)
District administration.....	472,390	0	0	0	(472,390)	0	(472,390)
School administration.....	571,644	0	0	0	(571,644)	0	(571,644)
Business .....	278,413	0	1,014	0	(277,399)	0	(277,399)
Plant operations and maintenance .....	1,789,880	0	80,444	0	(1,709,436)	0	(1,709,436)
Student transportation.....	1,196,704	0	82,381	0	(1,114,323)	0	(1,114,323)
Other .....	325,919	0	322,134	0	(3,785)	0	(3,785)
Facilities acquisition and construction.....	31,354	0	31,354	510,817	510,817	0	510,817
Interest on long-term debt .....	567,328	0	0	548,105	(19,223)	0	(19,223)
Loss on disposal of assets .....	9,451	0	0	0	(9,451)	0	(9,451)
TOTAL GOVERNMENTAL ACTIVITIES	16,657,940	18,510	2,644,414	1,086,866	(12,908,150)	0	(12,908,150)



**BUSINESS-TYPE ACTIVITIES**

Food services.....	1,257,416	403,137	822,059	0	0	(32,220)	(32,220)
Day care services.....	51,379	51,724	0	0	0	345	345
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>1,308,795</u>	<u>454,861</u>	<u>822,059</u>	<u>0</u>	<u>0</u>	<u>(31,875)</u>	<u>(31,875)</u>
<b>TOTAL SCHOOL DISTRICT</b>	<u><b>\$ 17,966,735</b></u>	<u><b>\$ 473,371</b></u>	<u><b>\$ 3,466,473</b></u>	<u><b>\$ 1,086,866</b></u>	<u>(12,908,150)</u>	<u>(31,875)</u>	<u>(12,940,025)</u>

**GENERAL REVENUES**

Taxes:

Property.....	1,329,974	0	1,329,974
Motor vehicle .....	301,574	0	301,574
Utilities.....	419,121	0	419,121
Unmined minerals .....	7,149	0	7,149
State aid .....	10,351,516	0	10,351,516
Investment earnings .....	128,984	2,463	131,447
Other .....	188,098	(103)	187,995

<b>TOTAL GENERAL REVENUES</b>	<u>12,726,416</u>	<u>2,360</u>	<u>12,728,776</u>
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<b>CHANGE IN NET ASSETS.....</b>	<u>(181,734)</u>	<u>(29,515)</u>	<u>(211,249)</u>
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<b>NET ASSETS – BEGINNING OF YEAR.....</b>	<u>12,278,097</u>	<u>450,215</u>	<u>12,728,312</u>
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<b>NET ASSETS – END OF YEAR</b>	<u><b>\$ 12,096,363</b></u>	<u><b>\$ 420,700</b></u>	<u><b>\$ 12,517,063</b></u>
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See accompanying notes to the financial statements.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2005**

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash .....	\$ 998,237	\$ 45,349	\$ 255,958	\$ 34,328	\$ 1,333,872
Accounts receivable:					
Taxes .....	57,413	0	0	0	57,413
Accounts .....	29,660	0	0	0	29,660
Intergovernmental .....	503	385,682	0	0	386,185
Due from other funds .....	281,535	0	0	0	281,535
<b>TOTAL ASSETS</b>	<b>\$ 1,367,348</b>	<b>\$ 431,031</b>	<b>\$ 255,958</b>	<b>\$ 34,328</b>	<b>\$ 2,088,665</b>

**LIABILITIES  
AND FUND BALANCES**

**LIABILITIES**

Accounts payable.....	\$ 53,363	\$ 1,486	\$ 120,345	\$ 0	\$ 175,194
Due to other funds .....	0	281,535	0	0	281,535
Deferred revenue .....	0	102,276	0	0	102,276
<b>TOTAL LIABILITIES</b>	<b>53,363</b>	<b>385,297</b>	<b>120,345</b>	<b>0</b>	<b>559,005</b>

**FUND BALANCES**

Reserved for:

Capital projects.....	0	0	135,613	0	135,613
Encumbrances .....	37,719	29,473	0	0	67,192
Site based carryforward .....	65,696	0	0	0	65,696
Retirement benefits .....	47,987	0	0	0	47,987
Debt service .....	0	0	0	7,826	7,826
Unreserved .....	1,162,583	16,261	0	26,502	1,205,346
<b>TOTAL FUND BALANCES</b>	<b>1,313,985</b>	<b>45,734</b>	<b>135,613</b>	<b>34,328</b>	<b>1,529,660</b>

**TOTAL LIABILITIES AND  
FUND BALANCES**

<b>\$ 1,367,348</b>	<b>\$ 431,031</b>	<b>\$ 255,958</b>	<b>\$ 34,328</b>	<b>\$ 2,088,665</b>
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**EDMONSON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2005**

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**TOTAL FUND BALANCES – GOVERNMENTAL FUNDS** ..... \$ 1,529,660

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported as assets in governmental funds. The cost  
of the assets is \$34,035,024, and the accumulated depreciation is  
\$9,250,610 ..... 24,784,414

Long-term liabilities, including bonds payable, are not due and payable in the  
current period and, therefore, are not reported as liabilities in the funds.  
Long-term liabilities at year-end consist of:

Bonds payable .....	(13,567,236)
Accrued interest on the bonds .....	(165,087)
Compensated absences .....	(485,388)

**TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES** ..... **\$ 12,096,363**

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*See accompanying notes to the financial statements.*

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2005**

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
From local sources:					
Taxes:					
Property .....	\$ 958,891	\$ 0	\$ 0	\$ 371,083	\$ 1,329,974
Motor vehicle.....	301,574	0	0	0	301,574
Utilities .....	419,121	0	0	0	419,121
Unmined minerals .....	7,149	0	0	0	7,149
Tuition and fees.....	4,340	14,170	0	0	18,510
Earnings on investments .....	84,425	1,418	35,315	7,826	128,984
Other local revenue .....	42,230	11,462	0	0	53,692
Intergovernmental – state .....	10,351,516	1,068,182	0	1,058,922	12,478,620
Intergovernmental – federal .....	115,118	1,592,714	0	0	1,707,832
<b>TOTAL REVENUES</b>	<b>12,284,364</b>	<b>2,687,946</b>	<b>35,315</b>	<b>1,437,831</b>	<b>16,445,456</b>
<b>EXPENDITURES</b>					
Current:					
Instruction.....	7,972,866	1,952,628	0	0	9,925,494
Support services:					
Student.....	453,599	84,028	0	0	537,627
Instructional staff.....	339,558	164,150	0	0	503,708
District administration.....	469,975	0	0	0	469,975

School administration.....	575,888	0	0	0	575,888
Business .....	277,399	1,014	0	0	278,413
Plant operations and maintenance.....	1,509,306	80,444	0	0	1,589,750
Student transportation.....	1,122,203	82,381	0	0	1,204,584
Other .....	3,785	322,134	0	0	325,919
Debt service:					
Principal.....	0	0	0	852,891	852,891
Interest .....	0	0	0	585,894	585,894
Capital outlay:					
Facilities acquisition and construction .....	0	31,354	2,193,571	0	2,224,925
<b>TOTAL EXPENDITURES</b>	<b>12,724,579</b>	<b>2,718,133</b>	<b>2,193,571</b>	<b>1,438,785</b>	<b>19,075,068</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES .....</b>	<b>(440,215)</b>	<b>(30,187)</b>	<b>(2,158,256)</b>	<b>(954)</b>	<b>(2,629,612)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers .....	(167,411)	27,542	204,211	(64,342)	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(167,411)</b>	<b>27,542</b>	<b>204,211</b>	<b>(64,342)</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(607,626)</b>	<b>(2,645)</b>	<b>(1,954,045)</b>	<b>(65,296)</b>	<b>(2,629,612)</b>
<b>FUND BALANCES – BEGINNING OF YEAR.....</b>	<b>1,921,611</b>	<b>48,379</b>	<b>2,089,658</b>	<b>99,624</b>	<b>4,159,272</b>
<b>FUND BALANCES – END OF YEAR</b>	<b>\$ 1,313,985</b>	<b>\$ 45,734</b>	<b>\$ 135,613</b>	<b>\$ 34,328</b>	<b>\$ 1,529,660</b>

See accompanying notes to the financial statements.

**EDMONSON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2005**

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**TOTAL NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS .....**      \$ (2,629,612)

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays are reported in governmental funds as expenditures.  
However, in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives as depreciation expense. This is the  
amount by which capital outlays (\$2,471,655) exceeds depreciation expense  
(\$908,385) in the period..... 1,563,270

Gains and losses are not presented in governmental funds because they  
do not provide or use current financial resources. However, they are  
presented on the statement of activities. The difference between proceeds  
from the sale of assets and the actual gain/loss from the sale net to this  
amount for the year..... (9,451)

Repayment of bond principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net  
assets..... 852,891

Donated capital assets do not provide current financial resources and are  
not recorded on the fund financial statements. However, the statement of  
activities is prepared using the economic resources measurement focus and,  
therefore, the donation is recognized. This is the amount of donated capital  
assets for the period. .... 30,750

Expenditures reported in the fund financial statements are recognized  
when the current financial resource is used. However, expenses in the  
statement of activities are recognized when they are incurred relating to  
interest cost, debt related items and compensated absences. .... 10,418

**CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES      \$      (181,734)**

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*See accompanying notes to the financial statements.*

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2005

	ENTERPRISE FUND FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash .....	\$ 32,642	\$ 351	\$ 32,993
Accounts receivable:			
Intergovernmental .....	52,323	319	52,642
Inventory .....	41,167	0	41,167
<b>TOTAL CURRENT ASSETS</b>	<b>126,132</b>	<b>670</b>	<b>126,802</b>
<b>NON-CURRENT ASSETS</b>			
Fixed assets – net.....	297,690	0	297,690
<b>TOTAL ASSETS</b>	<b>\$ 423,822</b>	<b>\$ 670</b>	<b>\$ 424,492</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable .....	\$ 3,467	\$ 325	\$ 3,792
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,467</b>	<b>325</b>	<b>3,792</b>
<b>NET ASSETS</b>			
Invested in capital assets.....	297,690	0	297,690
Unrestricted .....	122,665	345	123,010
<b>TOTAL NET ASSETS</b>	<b>420,355</b>	<b>345</b>	<b>420,700</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 423,822</b>	<b>\$ 670</b>	<b>\$ 424,492</b>

See accompanying notes to the financial statements.



**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2005**

	ENTERPRISE FUND FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS
<b>OPERATING REVENUES</b>			
Lunchroom sales .....	\$ 403,137	\$ 0	\$ 403,137
Tuition and fees .....	0	51,724	51,724
<b>TOTAL OPERATING REVENUES</b>	403,137	51,724	454,861
<b>OPERATING EXPENSES</b>			
Salaries and wages .....	653,812	48,121	701,933
Contract services .....	33,846	0	33,846
Materials and supplies .....	530,051	2,335	532,386
Other operating expenses.....	1,397	923	2,320
Depreciation expense .....	38,310	0	38,310
<b>TOTAL OPERATING EXPENSES</b>	1,257,416	51,379	1,308,795
<b>OPERATING INCOME (LOSS)</b>	(854,279)	345	(853,934)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
State operating grants .....	199,518	0	199,518
Federal operating grants.....	565,552	0	565,552
Donated commodities .....	56,989	0	56,989
Interest revenue.....	2,463	0	2,463
Other.....	(103)	0	(103)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	824,419	0	824,419
<b>CHANGE IN NET ASSETS .....</b>	(29,860)	345	(29,515)
<b>TOTAL NET ASSETS – BEGINNING OF YEAR .....</b>	450,215	0	450,215
<b>TOTAL NET ASSETS – END OF YEAR</b>	<b>\$ 420,355</b>	<b>\$ 345</b>	<b>\$ 420,700</b>

See accompanying notes to the financial statements.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2005

	ENTERPRISE FUND FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL PROPRIETARY FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from user charges.....	\$ 406,849	\$ 51,405	\$ 458,254
Cash payments to employees for services .....	(468,072)	(48,121)	(516,193)
Cash payments for contract services.....	(33,846)	0	(33,846)
Cash payments to suppliers for goods and services.....	(476,682)	(2,010)	(478,692)
Cash payments for other operating expenses .....	(1,397)	(923)	(2,320)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(573,148)</b>	<b>351</b>	<b>(572,797)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Nonoperating grants received .....	579,330	0	579,330
Other.....	(103)	0	(103)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>579,227</b>	<b>0</b>	<b>579,227</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets .....	(28,137)	0	(28,137)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(28,137)</b>	<b>0</b>	<b>(28,137)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments .....	2,463	0	2,463
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>2,463</b>	<b>0</b>	<b>2,463</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS .....</b>	<b>(19,595)</b>	<b>351</b>	<b>(19,244)</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR.....</b>	<b>52,237</b>	<b>0</b>	<b>52,237</b>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>\$ 32,642</b>	<b>\$ 351</b>	<b>\$ 32,993</b>

	ENTERPRISE FUND FOOD SERVICE	OTHER PROPRIETARY FUNDS	TOTAL PROPRIETARY FUNDS
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss) .....	\$ (854,279)	\$ 345	\$ (853,934)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation .....	38,310	0	38,310
Commodities used .....	56,989	0	56,989
On behalf payments received .....	185,740	0	185,740
Changes in assets and liabilities:			
Receivables .....	3,712	(319)	3,393
Inventories .....	(6,116)	0	(6,116)
Accounts payable .....	2,496	325	2,821
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (573,148)</b>	<b>\$ 351</b>	<b>\$ (572,797)</b>

**NONCASH CAPITAL AND RELATED FINANCING  
ACTIVITIES**

- ▶ The food service fund received \$56,989 of donated commodities from the federal government.
- ▶ The District received on behalf payments of \$185,740 relating to insurance benefits.

*See accompanying notes to the financial statements.*

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2005**

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	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
<b>ASSETS</b>	
Cash .....	<u>\$ 102,398</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 102,398</u></u>
<b>LIABILITIES</b>	
<b>LIABILITIES</b>	
Due to student groups .....	<u>\$ 102,398</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 102,398</u></u>

*See accompanying notes to the financial statements.*

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2005

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**NOTE 1:      SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

● **Reporting Entity**

The Edmonson County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Edmonson County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Edmonson County School District. In accordance with GASB Statement No. 39, the financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for those funds administered as an activity in the Agency funds.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying financial statements:

**Edmonson County School District Finance Corporation** — The Edmonson County Board of Education resolved to authorize the establishment of the Edmonson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Edmonson County Board of Education also comprise the Corporation's Board of Directors.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

● **Basis of Presentation**

**Government-wide Financial Statements** — The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and enterprise fund financial statements is on major funds rather than

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 1:        SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

► **Governmental Fund Types**

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. The General Fund is a major fund.

The *Special Revenue Funds* account for proceeds of specific revenue sources (other than debt service, enterprise funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards included in this report. In addition, the Kentucky Education Technology System (KETS) allocation and local district matching funds are being recorded in the special revenue fund as required by the Kentucky Department of Education. These funds are restricted for the purchase of technology consistent with the District's approved technology plan. The Special Revenue Fund is a major fund.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 1:        SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds) and to provide financial resources for debt service requirements.

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

The *Facility Support Program of Kentucky Fund (FSPK)* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds are restricted for use in financing projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The Construction Fund is a major fund.

The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost as required by Kentucky law.

► **Proprietary Fund Types**

*Enterprise Funds*

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

The *Day Care Fund* is used to account for day care services offered to the general public.



**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

To the proprietary activities, the District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

► **Fiduciary Fund Types** (includes agency funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others.

*Agency Funds*

The *Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

● **Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

The records of the Board are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the General Fund, Special Revenue Fund and Capital Projects Funds.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 1:       SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

The Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets.

The financial statements of the governmental fund types are on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The Proprietary Funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

● **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

● **Cash and Cash Equivalents**

The District considers demand deposits, money market funds and other highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 1:       SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

● **Inventory**

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the Proprietary Funds, which records inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

● **Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 1:        SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements .....	25–50 years
Land improvements .....	20 years
Technology equipment .....	5 years
Vehicles .....	5–10 years
Audio-visual equipment .....	15 years
Food service equipment .....	10–12 years
Furniture and fixtures .....	7 years
Rolling stock .....	15 years
Other .....	10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

● **Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

● **Compensated Absences**

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave time when earned for all employees with more than five years of service.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "*matured compensated absences payable*" in the funds from which the employees will be paid.

● **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the Government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

● **Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or legally segregated for a specific purpose. Reservations of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

● **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

● **Property Taxes**

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September Board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

● **Revenues — Exchange and Nonexchange Transactions**

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from nonexchange transactions must also be available before they can be recognized.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

● **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

● **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

● **Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

● **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**NOTE 2: CASH AND INVESTMENTS**

● **Deposits**

At June 30, 2005, the carrying amounts of the District's deposits were \$1,469,263 and the bank balances were \$2,122,414, which was covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds.....	\$ 1,333,872
Proprietary funds.....	32,993
Fiduciary funds.....	102,398
	<u>\$ 1,469,263</u>

► *Custodial Credit Risk Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the District's deposits were exposed to custodial credit risk.



**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 3: INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2005 consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue	<u><u>\$ 281,535</u></u>

The amount represents an interfund loan between the general fund and special revenue fund that is necessary to fulfill the current cash requirements of the special revenue fund.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Capital Cost</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets that are not depreciated:				
Land .....	\$ 341,789	\$ 0	\$ 0	\$ 341,789
Construction in progress.....	9,169,149	2,193,571	9,775,351	1,587,369
Total Nondepreciable Historical Cost	<u>9,510,938</u>	<u>2,193,571</u>	<u>9,775,351</u>	<u>1,929,158</u>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

**NOTE 4: CAPITAL ASSETS (Continued)**

	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets that are depreciated:				
Land improvements.....	1,045,402	0	0	1,045,402
Buildings and improvements.....	16,532,824	9,114,807	0	25,647,631
Technology equipment.....	1,600,572	327,357	100,176	1,827,753
Vehicles .....	2,387,939	173,016	34,972	2,525,983
General .....	599,160	469,005	9,068	1,059,097
Total Depreciable Historical Cost	22,165,897	10,084,185	144,216	32,105,866
Less accumulated depreciation for:				
Land improvements.....	582,497	31,603	0	614,100
Buildings and improvements.....	4,656,476	516,615	0	5,173,091
Technology equipment.....	1,298,161	145,117	91,501	1,351,777
Vehicles .....	1,601,664	149,870	34,971	1,716,563
General .....	338,192	65,180	8,293	395,079
Total Accumulated Depreciation	8,476,990	908,385	134,765	9,250,610
Total Depreciable Historical Cost, Net	13,688,907	9,175,800	9,451	22,855,256
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 23,199,845</b>	<b>\$ 11,369,371</b>	<b>\$ 9,784,802</b>	<b>\$ 24,784,414</b>
<b>Business-Type Activities:</b>				
Capital assets that are depreciated:				
General .....	\$ 551,906	\$ 28,137	\$ 0	\$ 580,043
Less accumulated depreciation .....	244,043	38,310	0	282,353
<b>Business-Type Activities, Capital Assets, Net</b>	<b>\$ 307,863</b>	<b>\$ (10,173)</b>	<b>\$ 0</b>	<b>\$ 297,690</b>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 4: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction.....	\$ 528,658
Instruction staff.....	5,950
District administration.....	5,410
School administration.....	3,101
Plant operations and maintenance .....	200,130
Student transportation.....	165,136
	<hr/>
<b>Total Depreciation Expense</b>	<b>\$ 908,385</b>
	<hr/> <hr/>

**NOTE 5: GENERAL LONG-TERM OBLIGATIONS**

On October 30, 2002, the District issued \$500,000 of Qualified Zone Academy Bonds (QZAB). The bonds were approved for the high school renovation project. As stated in the agreement, \$297,000 of the proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$500,000 bond issue. As a result, the \$500,000 QZAB are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The refunding of the bonds resulted in a gain of \$203,000 and is shown in the financial statements as an addition to bonds payable. The gain will be amortized to operations over the bonds' life of 15 years using the effective interest method.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)**

The original amount of each issue, the issue date and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1998	\$ 1,655,000	3.55%—4.125%
1998	347,000	3.75%—4.25%
1999	494,000	3.70%—4.40%
1999	4,560,000	4.00%—5.20%
2000	286,894	4.15%—4.60%
2002	6,685,000	1.55%—4.58%
2004	1,540,000	3.00%—4.80%

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Funds, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Edmonson County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)**

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

Year	Edmonson County School District		School Facility Construction Commission		Total Debt Service
	Interest	Principal	Interest	Principal	
2005–2006	\$ 422,211	\$ 470,084	\$ 135,991	\$ 202,053	\$ 1,230,339
2006–2007	405,590	483,685	128,483	197,521	1,215,279
2007–2008	387,658	505,160	120,585	217,471	1,230,874
2008–2009	368,430	520,613	111,962	226,264	1,227,269
2009–2010	350,252	427,357	102,725	235,424	1,115,758
2010–2011	333,271	448,598	92,666	245,430	1,119,965
2011–2012	315,206	435,300	84,514	134,700	969,720
2012–2013	297,864	453,039	78,528	136,961	966,392
2013–2014	279,336	471,531	72,038	143,469	966,374
2014–2015	259,720	489,740	65,240	150,260	964,960
2015–2016	238,714	512,651	58,116	157,349	966,830
2016–2017	216,028	534,926	50,389	165,074	966,417
2017–2018	191,852	561,731	42,223	173,269	969,075
2018–2019	166,010	588,096	33,600	181,904	969,610
2019–2020	138,333	615,886	25,085	164,114	943,418
2020–2021	113,091	507,977	18,929	92,023	732,020
2021–2022	90,412	528,606	14,558	96,394	729,970
2022–2023	66,314	553,978	9,931	101,022	731,245
2023–2024	40,698	584,130	5,082	105,870	735,780
2024–2025	13,725	610,000	0	0	623,725
	<b>\$ 4,694,715</b>	<b>\$ 10,303,088</b>	<b>\$ 1,250,645</b>	<b>\$ 3,126,572</b>	<b>\$ 19,375,020</b>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

**NOTE 5: GENERAL LONG-TERM OBLIGATIONS (Continued)**

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt .....	\$ 14,282,551	\$ 0	\$ (852,891)	\$ 13,429,660	\$ 672,137
Deferred issuance discounts .....	(29,734)	0	1,499	(28,235)	0
Deferred gain on QZAB bond .....	179,344	0	(13,533)	165,811	0
<b>Total Bonds and Notes Payable</b>	14,432,161	0	(864,925)	13,567,236	672,137
Other Liabilities:					
Compensated absences .....	477,240	49,073	(40,925)	485,388	40,000
<b>Total Long-Term Liabilities</b>	<b>\$ 14,909,401</b>	<b>\$ 49,073</b>	<b>\$ (905,850)</b>	<b>\$ 14,052,624</b>	<b>\$ 712,137</b>

**NOTE 6: PENSION PLANS**

► *Plan Descriptions*

The Edmonson County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issues a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 6: PENSION PLANS (Continued)**

Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

► *Funding Policy*

KTRS and CERS plan members are required to contribute 9.855% and 5.00%, respectively, of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS and CERS is 13.105% and 8.48% of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2005, 2004 and 2003 were \$230,071, \$173,668 and \$138,578, respectively, equal to the required contributions for each year. For the year ended June 30, 2005, the Commonwealth contributed \$929,480 to the KTRS for the benefit of the District's participating employees. The District's contribution to the KTRS for the year ending June 30, 2005 was \$98,907, which represents those employees covered by federal programs.

The amount recognized for revenues and expenditures/expenses for on-behalf payments relating to fringe benefits for the year ended June 30, 2005 was \$2,151,911 for governmental funds and \$185,740 for proprietary funds.

**NOTE 7: CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

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**NOTE 7: CONTINGENCIES (Continued)**

future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE 8: INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance.

**NOTE 9: RISK MANAGEMENT**

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2005

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**NOTE 10: EXCESS EXPENDITURES OVER APPROPRIATIONS**

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

<u>Fund</u>	<u>Amount</u>
General Fund.....	\$ 607,626
Special Revenue .....	2,645
Construction .....	1,954,045
Food Service .....	29,860
SEEK .....	6,494
FSPK .....	66,628

**NOTE 11: FUND TRANSFERS**

Fund transfers for the year ended June 30, 2005 consist of the following:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Debt Service	Debt Service	\$ 139,869
General	Special Revenue	Matching	27,542
SEEK	Construction	Construction	5,424
FSPK	Construction	Construction	198,787
SEEK	Debt Service	Debt Service	183,010
FSPK	Debt Service	Debt Service	567,801

# **Required Supplemental Information**

**EDMONSON COUNTY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
For the Year Ended June 30, 2005

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCES FAVORABLE (UNFAVORABLE) FINAL TO ACTUAL
	ORIGINAL	FINAL		
REVENUES				
Local and intermediate sources.....	\$ 1,904,541	\$ 1,848,253	\$ 1,817,730	\$ (30,523)
State programs.....	8,233,775	8,200,588	8,199,605	(983)
Federal programs .....	5,000	30,000	115,118	85,118
TOTAL REVENUES	10,143,316	10,078,841	10,132,453	53,612
EXPENDITURES				
Current:				
Instruction.....	6,313,566	6,516,975	6,398,854	118,121
Support services:				
Student .....	337,487	393,457	385,164	8,293
Instructional staff.....	321,061	306,123	309,142	(3,019)
District administration.....	542,056	449,862	447,163	2,699
School administration.....	550,482	498,190	499,849	(1,659)
Business .....	174,671	244,869	246,983	(2,114)
Plant operations and maintenance .....	1,025,755	1,233,306	1,273,584	(40,278)
Student transportation.....	950,332	980,521	1,008,144	(27,623)
Central office.....	3,356	0	0	0
Other.....	1,694,780	1,192,204	3,785	1,188,419
Debt service .....	104,027	0	0	0
TOTAL EXPENDITURES	12,017,573	11,815,507	10,572,668	1,242,839

<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	<u>(1,874,257)</u>	<u>(1,736,666)</u>	<u>(440,215)</u>	<u>1,296,451</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers.....	(25,000)	(167,411)	(167,411)	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(25,000)</u>	<u>(167,411)</u>	<u>(167,411)</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCE.....</b>	<u>(1,899,257)</u>	<u>(1,904,077)</u>	<u>(607,626)</u>	<u>1,296,451</u>
<b>FUND BALANCE – BEGINNING OF YEAR.....</b>	<u>1,899,257</u>	<u>1,904,077</u>	<u>1,921,611</u>	<u>17,534</u>
<b>FUND BALANCE – END OF YEAR</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,313,985</u></u>	<u><u>\$ 1,313,985</u></u>

#### EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

##### Inflows/revenues:

Actual amounts (budgetary basis).....	\$ 10,132,453
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts .....	<u>2,151,911</u>

##### **Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds**

\$ 12,284,364

##### Outflows/expenditures:

Actual amounts (budgetary basis).....	\$ 10,572,668
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts .....	<u>2,151,911</u>

##### **Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds**

\$ 12,724,579

**EDMONSON COUNTY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2005

	BUDGETED AMOUNTS		ACTUAL (GAAP BASIS)	VARIANCES FAVORABLE (UNFAVORABLE) FINAL TO ACTUAL
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Local and intermediate sources.....	\$ 16,400	\$ 16,400	\$ 27,050	\$ 10,650
State programs .....	1,160,425	1,160,425	1,068,182	(92,243)
Federal programs .....	1,694,641	1,694,641	1,592,714	(101,927)
<b>TOTAL REVENUES</b>	<b>2,871,466</b>	<b>2,871,466</b>	<b>2,687,946</b>	<b>(183,520)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction.....	2,166,923	2,166,923	1,952,628	214,295
Support services:				
Student .....	84,789	84,789	84,028	761
Instructional staff.....	203,805	203,805	164,150	39,655
Business .....	28,460	28,460	1,014	27,446
Plant operations and maintenance .....	90,578	90,578	80,444	10,134
Student transportation.....	101,602	101,602	82,381	19,221
Other.....	202,873	202,873	322,134	(119,261)
Facilities acquisition and construction .....	31,354	31,354	31,354	0
<b>TOTAL EXPENDITURES</b>	<b>2,910,384</b>	<b>2,910,384</b>	<b>2,718,133</b>	<b>192,251</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	<b>(38,918)</b>	<b>(38,918)</b>	<b>(30,187)</b>	<b>8,731</b>

**OTHER FINANCING SOURCES (USES)**

Operating transfers.....	0	0	27,542	27,542
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>0</u>	<u>0</u>	<u>27,542</u>	<u>27,542</u>
<b>NET CHANGE IN FUND BALANCE</b> .....	(38,918)	(38,918)	(2,645)	36,273
<b>FUND BALANCE – BEGINNING OF YEAR</b> .....	<u>48,379</u>	<u>48,379</u>	<u>48,379</u>	<u>0</u>
<b>FUND BALANCE – END OF YEAR</b>	<u><u>\$ 9,461</u></u>	<u><u>\$ 9,461</u></u>	<u><u>\$ 45,734</u></u>	<u><u>\$ 36,273</u></u>

# Supplemental Information

**EDMONSON COUNTY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2005**

	SEEK FUND	FSPK FUND	DEBT SERVICE FUND	TOTAL OTHER GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash.....	\$ 750	\$ 25,752	\$ 7,826	\$ 34,328
<b>TOTAL ASSETS</b>	<b>\$ 750</b>	<b>\$ 25,752</b>	<b>\$ 7,826</b>	<b>\$ 34,328</b>
<b>FUND BALANCES</b>				
<b>FUND BALANCES</b>				
Reserved for:				
Debt service .....	\$ 0	\$ 0	\$ 7,826	\$ 7,826
Unreserved .....	750	25,752	0	26,502
<b>TOTAL FUND BALANCES</b>	<b>\$ 750</b>	<b>\$ 25,752</b>	<b>\$ 7,826</b>	<b>\$ 34,328</b>



**EDMONSON COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2005**

	SEEK FUND	FSPK FUND	DEBT SERVICE FUND	TOTAL OTHER GOVERNMENTAL FUNDS
<b>REVENUES</b>				
From local sources:				
Taxes:				
Property .....	\$ 0	\$ 371,083	\$ 0	\$ 371,083
Earnings on investments .....	0	0	7,826	7,826
Intergovernmental — state .....	181,940	328,877	548,105	1,058,922
<b>TOTAL REVENUES</b>	<b>181,940</b>	<b>699,960</b>	<b>555,931</b>	<b>1,437,831</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal .....	0	0	852,891	852,891
Interest .....	0	0	585,894	585,894
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>1,438,785</b>	<b>1,438,785</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	<b>181,940</b>	<b>699,960</b>	<b>(882,854)</b>	<b>(954)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers .....	(188,434)	(766,588)	890,680	(64,342)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(188,434)</b>	<b>(766,588)</b>	<b>890,680</b>	<b>(64,342)</b>
<b>NET CHANGE IN FUND BALANCES .....</b>	<b>(6,494)</b>	<b>(66,628)</b>	<b>7,826</b>	<b>(65,296)</b>
<b>FUND BALANCES — BEGINNING OF YEAR .....</b>	<b>7,244</b>	<b>92,380</b>	<b>0</b>	<b>99,624</b>
<b>FUND BALANCES — END OF YEAR</b>	<b>\$ 750</b>	<b>\$ 25,752</b>	<b>\$ 7,826</b>	<b>\$ 34,328</b>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
June 30, 2005

		DAY CARE FUND
		<u>          </u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash.....	\$ 351	
Accounts receivable:		
Intergovernmental .....	<u>319</u>	
<b>TOTAL ASSETS</b>	<b>\$ 670</b>	
		<u>          </u>
<b>NET LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 325	
<b>TOTAL CURRENT LIABILITIES</b>	<u>325</u>	
<b>NET ASSETS</b>		
Unrestricted .....	<u>345</u>	
<b>TOTAL NET ASSETS</b>	<u>345</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 670</b>
		<u>          </u>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2005**

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	<u>DAY CARE FUND</u>
<b>OPERATING REVENUES</b>	
Tuition and fees .....	\$ 51,724
<b>TOTAL OPERATING REVENUES</b>	<u>51,724</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages .....	48,121
Materials and supplies .....	2,335
Other .....	923
<b>TOTAL OPERATING EXPENSES</b>	<u>51,379</u>
<b>CHANGE IN NET ASSETS</b> .....	345
<b>TOTAL NET ASSETS — BEGINNING OF YEAR</b> .....	<u>0</u>
<b>TOTAL NET ASSETS — END OF YEAR</b>	<u><u>\$ 345</u></u>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**ALL SCHOOL ACTIVITY FUNDS**  
**ALL AGENCY FUNDS**  
**June 30, 2005**

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	<b>CASH</b> <b>JUNE 30, 2005</b>	<b>DUE TO</b> <b>STUDENT</b> <b>GROUPS</b> <b>JUNE 30, 2005</b>
Edmonson County High School .....	\$ 49,208	\$ 49,208
Edmonson County Middle School .....	14,655	14,655
Edmonson Fifth–Sixth Center .....	14,002	14,002
Kyrook Elementary School .....	1,705	1,705
South Edmonson Elementary School .....	19,531	19,531
Edmonson County Early Childhood Center .....	3,297	3,297
	<b>\$ 102,398</b>	<b>\$ 102,398</b>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**EDMONSON COUNTY HIGH SCHOOL**  
**June 30, 2005**

	<b>CASH</b> <b>JUNE 30, 2005</b>	<b>DUE TO</b> <b>STUDENT</b> <b>GROUPS</b> <b>JUNE 30, 2005</b>
Office .....	\$ 1,191	\$ 1,191
Student Generated .....	682	682
Teacher Generated.....	31	31
Textbook.....	151	151
Flower Fund.....	1	1
Athletics .....	9,041	9,041
FFA.....	1,269	1,269
Farm and Greenhouse.....	7,052	7,052
Yearbook .....	2,394	2,394
Art Club.....	326	326
Drama.....	400	400
Seniors .....	3,846	3,846
Juniors .....	771	771
Sophomores/Juniors.....	531	531
VICA .....	1,392	1,392
Welding.....	585	585
Family & CS Science .....	510	510
Woodworking .....	4,505	4,505
Beta Club.....	608	608
FBLA.....	197	197
FHA .....	1,730	1,730
Friends.....	3,854	3,854
Literary Club .....	366	366
Math Club .....	832	832
Pep Club.....	1,056	1,056
International Club.....	3,368	3,368
Academic Team.....	24	24
Future Educators of America .....	537	537
Band .....	77	77
FCA .....	411	411
K-Club.....	199	199
Student Government.....	1,271	1,271
<b>TOTAL</b>	<b>\$ 49,208</b>	<b>\$ 49,208</b>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2005**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed-Through State Department of Education:			
School Breakfast Program .....	10.553	57604 05 Z / 57605 05 Z	\$ 166,200
National School Lunch Program .....	10.555	57504 05 Z / 57505 02 Z	399,352
Passed-Through State Department of Agriculture:			
Food Distribution Program .....	10.555	57504 02 Z / 57505 02 Z	56,989
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>622,541</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Received Direct From U.S. Department of Education:			
Impact Aid.....	84.041	—	79,907
21 <sup>st</sup> Century Learning Center — 2004 .....	84.287B	—	104,354
Passed-Through State Department of Education:			
Title I — 2004.....	84.010	35104 01 Z	34,923
Title I — 2005.....	84.010	35105 01 Z	514,545
Migrant Education Basic — 2003 .....	84.011	35203 02 Z	77
Migrant Education Basic — 2004 .....	84.011	35204 02 Z	9,475
Migrant Education Basic — 2005 .....	84.011	35205 02 Z	1,416
Evenstart — 2004 .....	84.213C	58804 02 Z	11,583
Evenstart — 2005 .....	84.213C	58805 02 Z	63,847
Title V — Innovative Programs — 2003.....	84.298	53303 02 Z	3,173
Title V — Innovative Programs — 2004.....	84.298	53304 02 Z	4,467
Title V — Innovative Programs — 2005.....	84.298	53305 02 Z	4,494
IDEA — Silver — 2003.....	84.027	58103 02 Z	231
IDEA — Silver — 2004.....	84.027	58104 02 Z	3,892
IDEA — Silver — 2005.....	84.027	58105 02 Z	103
IDEA — Part B Special Education.....	84.027	58104 02 Z	791
IDEA — Part B Special Education.....	84.027	58105 02 Z	373,110
IDEA — Part B Preschool .....	84.173	58705 02 Z	22,758
Vocational Education — Basic — 2004 .....	84.048	46204 32 Z	3,844
Vocational Education — Carryforward .....	84.048	—	1,264
Vocational Education — Basic — 2005 .....	84.048	46205 32 Z	22,780
Title VI — Rural/Low Income.....	84.358B	35004 02 Z	5,016
Title VI — Rural/Low Income.....	84.358B	35005 02 Z	66,186

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
Title II — Teacher Quality — 2004 .....	84.367	71004 02 Z	23,685
Title II — Teacher Quality — 2005 .....	84.367	71005 02 Z	143,580
Title IV — 2004 .....	84.186A	59004 02 Z	300
Title IV — 2005 .....	84.186A	59005 02 Z	15,191
Title II — Education Technology — 2004 .....	84.318X	73604 02 Z	10,848
Title II — Education Technology — 2005 .....	84.318X	73605 02 Z	6,885
Federal Modernization .....	84.352	—	31,354
Passed-Through State Workforce Cabinet:			
Adult Education.....	84.002	—	20,349
Adult Education — Staff Development .....	84.002	—	1,486
Passed-Through Green River Education Cooperative:			
Dropout Prevention — 2004.....	84.360	—	45,188
Dropout Prevention — 2005.....	84.360	—	34,770
High School That Works — 2004 .....	84.215G	—	2,204
High School That Works — 2005 .....	84.215G	—	1,045
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>1,669,121</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed-Through Green River Area Development District:			
Service Learning Grant .....	94.004	—	<u>3,000</u>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u>3,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,294,662</u></u>

**EDMONSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2005**

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**NOTE 1:      BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ***Edmonson County School District*** and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.



**EDMONSON COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**For the Year Ended June 30, 2005**

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● **04-1 — Grant Compliance**

During our audit of grant programs, we noted that the District did not maintain documentation of employee time and effort for those employees paid from federal programs. Per OMB Circular A-87, Attachment B, an employee whose compensation is funded solely from a single federal program must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the federal program. An employee paid in part from a single federal program, and in part with funds from other revenue sources, must maintain time and effort records that document the portion of time and effort dedicated to the single federal program, and each program or other cost objective supported by other revenue sources. The employee or the supervisory official having first hand knowledge of the work performed by the employee must sign these certifications. There are no questioned costs resulting from this noncompliance.

**Management Response:** The District maintains a copy of OMB Circular A-87, as required. However, this particular requirement has never been brought to our attention. No such certification form is even provided in OMB Circular A-87. Therefore, the finance officer will prepare a semi-annual certification form that will be signed by applicable employees whose compensation is funded solely from a single federal program. In addition, those employees who are paid from multiple sources, including a federal program, will be required to maintain time and effort records reflecting allocation of time spent on each program.

**Current Status:** The District's corrective action plan was implemented and no other findings were noted.

● **04-2 — Grant Compliance**

During our eligibility testing for free and reduced meals for the National School Lunch and Breakfast programs, we noted two applications that were improperly approved for free meals. In one instance, the application was approved as free based on K-Tap/Food Stamps; however, it did not have a K-Tap or Food Stamp number entered on the application. The second application was approved as free based on income guidelines. However, based on the income amount, the applicant should have been approved for reduced meals instead of free. There are no material questioned costs resulting from this noncompliance.

**EDMONSON COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)**  
**For the Year Ended June 30, 2005**

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**Management Response:** The auditors' finding and recommendation is acknowledged. The Food Service Director will verify that all school food service clerks verify the accuracy of all applications to prevent such errors in the future.

**Current Status:** The District's corrective action plan was implemented and no other findings were noted.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **Edmonson County School District** as of and for the year ended June 30, 2005, which collectively comprise **Edmonson County School District's** basic financial statements and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements* and Appendix III of the *Independent Auditors' Contract—Electronic Submission*.

● **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to

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a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated August 30, 2005

● **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditors' Contract—State Audit Requirements*.

This report is intended solely for the information and use of the members of the **Edmonson County Board of Education**, Kentucky State Committee for School Districts, management of the **Edmonson County School District**, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holland CPAs, PSC

Bowling Green, Kentucky  
August 30, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, Kentucky

• **Compliance**

We have audited the compliance of ***Edmonson County School District*** (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material

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effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

- **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the **Edmonson County Board of Education**, Kentucky State Committee for School Districts, management of the **Edmonson County School District**, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holland CPAs, PSC

Bowling Green, Kentucky  
August 30, 2005

**EDMONSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2005**

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**SECTION I — SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No



**EDMONSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended June 30, 2005**

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Identification of major programs:

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>
10.553 / 10.555	Child Nutrition Cluster
84.367	Title II A

Dollar threshold used to distinguish  
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**SECTION II — FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.